

## SYSTEM AND METHOD OF ON-LINE MERCHANDISING

### BACKGROUND OF THE INVENTION

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### Field of the Invention

This invention relates to a system and method for distributing preselected merchandise to bid purchasing customers by means of a lottery, raffle or like gaming format, at a potentially reduced price but at no more than a cost to the customer which is substantially equal to the full purchase price of the preselected merchandise.

### DESCRIPTION OF THE RELATED ART

It is widely accepted that the most rapidly growing commercial segment of today's economy is merchandising products and services over public communication networks and specifically the Internet. Using the Internet, the annual increase in electronic commercial transactions has amounted to millions of dollars for each of the past few years. The advantage of computer-based merchandising

1 systems using the Internet is obvious when compared to more  
2 conventional types and areas of merchandising.

3 By way of example, prior to the development and popularity  
4 presently enjoyed by computer-based merchandising systems,  
5 customers were typically required to visit specific physical  
6 locations such as retail, wholesale and like distribution outlets.  
7 The disadvantages and problems associated with such conventional  
8 techniques involved access to a limited number of customers which  
9 could physically visit an outlet. Such restrictive exposure is  
10 based either on the geographical location of the outlet and/or the  
11 size and/or distribution facilities associated therewith. In  
12 addition, conventional distribution outlets, because of limited  
13 physical facilities, normally carry a specialized and/or relatively  
14 small selection of products. Such limitations sometimes results in  
15 the customers having to visit a plurality of such outlets in order  
16 to be exposed to a full range of products, services, etc. Some of  
17 the noted exceptions to the limited merchandise availability of  
18 such outlets is the conventional "supermarket" grocery store and  
19 other expansive facilities maintained by extremely large retailers  
20 commonly known to the consuming public. However, even such  
21 exceptions have limitations which could only be overcome by the  
22 establishment of a plurality of outlets or a "chain" of such  
23 outlets located throughout one or more geographical areas.

24 In contrast to the known techniques and physical limitations  
25 of conventional distribution outlets, as set forth above, Internet

1 based merchandising systems can reach literally millions of people  
2 and offer an almost inexhaustible variety of products, services and  
3 other valuable merchandise. Moreover, advantages to the customer  
4 while shopping on-line include access to thousands of electronic  
5 vendors from the convenience of a customer's home or other area  
6 where Internet access facilities are located. However, perhaps one  
7 disadvantage associated with on-line merchandising, at least from  
8 the point of view of a vendor, is the rapidly escalating  
9 competitive nature of computer-based merchandising systems as  
10 evidenced by the extremely large number of on-line vendors. As a  
11 result, many on-line vendors have resorted to auctions, lotteries,  
12 raffles or like electronic gaming formats which appear to present  
13 the customer with an opportunity to obtain the desired merchandise  
14 at a reduced cost.

15 Also, such gaming formats, procedures, systems, etc., may add  
16 to the excitement experienced by the consuming public when  
17 attempting to obtain desired products, services, etc. By way of  
18 example only, one type of computer-based auction for the sale of  
19 products utilizes e-mail sent over the Internet. This type of  
20 merchandising system typically involves bidders or participants in  
21 the auction sending e-mails to the auction site or controller with  
22 details of a specific bid and identity of the bidder. The bid  
23 details are posted on the web site of the auction and are available  
24 to other participants. The auction process is usually conducted  
25 over an extended time period of several days, wherein at the end of

1 the time period the product is sold to the highest bidder.  
2 Advantages of systems of this type include the lack of complexity  
3 in Internet participation, especially where e-mail is used to  
4 communicate with the auction site. However, related disadvantages  
5 include a prolonged period of time for conducting the auction and  
6 the resulting frustration especially when the auction is frequently  
7 decided in the last few minutes before the bidding closes.

8 In addition to the above, at least one currently popular on-  
9 line merchandising entity is reportedly encountering problems which  
10 may affect its growth and expansion opportunities. More  
11 specifically, large corporations, retailers, suppliers, etc.,  
12 desirous of merchandising large volumes of a specific product line  
13 have discovered that an on-line auction facility may not be the  
14 most effective way of distributing such merchandise to the  
15 consuming public. Attempts to sell significant quantities of the  
16 same or similar products such as cameras, laptops, desktop  
17 computers or a variety of other look-alike items resulted in the  
18 price of the item crashing due to the relatively limited number of  
19 buyers interested in the same product line as compared to the large  
20 quantity of the same merchandise offered. Therefore, distinct  
21 disadvantages of conventional on-line auction or other gaming  
22 format sites include supply and demand problems manifested in the  
23 inability to merchandise large quantities of the same or similar  
24 products.

25 Generally speaking, a typical auction procedure involves a

1 seller providing information about an item of merchandise as well  
2 as the parameters with which the auction procedure must comply,  
3 including a low initial starting or bidding price. Bidding  
4 proceeds as the customers incrementally raise the bid price. At  
5 the close of bidding, the high bidder obtains the product for the  
6 amount bid, which the customer hopes will be below the normal  
7 purchase price of a given product or service. While it is  
8 recognized that the customer controls the bidding price, it is not  
9 unusual for excitement to control the customers to the extent that  
10 the bidding price reaches or exceeds the normal retail purchase  
11 price resulting in little or no savings to the winning customer.  
12 In spite of certain disadvantages, it is understandable that  
13 computer-based auctions are popular to both the seller and the  
14 buyer. Moreover, a seller can be relatively certain of reaching a  
15 large group of motivated customers and the buyer can often obtain  
16 a product at a favorable price. The competition between bidding  
17 customers is also a frequently attractive feature of the on-line  
18 auction.

19 Based on the above, it is believed that on-line merchandising  
20 can still be improved and many of the well recognized disadvantages  
21 thereof can be overcome. Moreover, an improved, computer based  
22 merchandising system and attendant method may be more effective by  
23 providing customers with an opportunity to obtain preselected  
24 merchandise at a reduced price, while guaranteeing that the  
25 customer will obtain the merchandise at a cost no greater than the

1 normal purchase price of the merchandise. Accordingly, the fear of  
2 a customer losing the money invested in purchasing losing bids is  
3 eliminated.

#### 4 5 SUMMARY OF THE INVENTION

6 The present invention is directed to a system and method of  
7 on-line merchandising of a variety of products, services and other  
8 value-based merchandise by implementing a raffle, lottery, auction  
9 or like gaming type format. Moreover, the preferred embodiments of  
10 the present invention provide customers the opportunity to obtain  
11 desired merchandise at a reduced price. In addition, the customer  
12 is provided with the benefit of an added guarantee that continuing  
13 in the subject gaming format will result in the award of the  
14 merchandise at a cost which is substantially equal to the original  
15 purchase price of the preselected merchandise. Therefore, the  
16 present invention offers the convenience commonly associated with  
17 on-line merchandising and/or computer-based systems, wherein the  
18 Internet serves as the primary basis of communication and access  
19 for implementation thereof. Concurrently, the various preferred  
20 embodiments of the present invention incorporate the excitement and  
21 pricing benefits normally associated with a raffle, lottery or  
22 auction-type format.

23 While the specifics of the merchandising system and method of  
24 the present invention will be described in greater detail  
25 hereinafter, it is emphasized that the terms "raffle", "lottery"

1 and/or "auction" may be used herein interchangeably and any and/or  
2 all of these terms, as used, is not meant to be interpreted in a  
3 limiting sense. The applicable nature of such terminology is at  
4 least partially based on the present invention providing the  
5 opportunity of a plurality of customers to purchase one or more  
6 bids. Further, each of the bids represents an equal opportunity  
7 for the customer to be awarded preselected merchandise with which  
8 the bid is associated. However, unique to the particular gaming  
9 environment incorporated within the present invention is the  
10 opportunity for each of the plurality of bid-purchasing customers  
11 to be awarded the preselected merchandise at a potentially reduced  
12 price with the alternate guarantee of obtaining the preselected  
13 merchandise at a cost which is substantially equal to the original  
14 purchase price of the preselected merchandise.

15 More specifically, the present invention comprises a  
16 marketplace which may be "visited" by on-line access utilizing any  
17 computer, processor and/or peripheral facility with Internet or  
18 like network capabilities. The marketplace is controlled, at least  
19 in terms of implementing the system and method of the present  
20 invention, by a controlling entity. Generally, the controlling  
21 entity is responsible for overall operation of the on-line site,  
22 the commercial transactions conducted thereon and the proper  
23 functioning of the auction, raffle or like gaming format. However,  
24 while the controlling entity is responsible for the practice of the  
25 system and method of the present invention, one preferred

1 embodiment comprises the awarded merchandise being shipped or  
2 otherwise transported directly from an original supplier,  
3 manufacturer or distributor. The costs, responsibilities, and  
4 inconvenience associated with maintaining inventory and/or  
5 attending to the transportation of the awarded merchandise are  
6 thereby eliminated or significantly reduced.

7 In typical fashion, the marketplace, as well as the ancillary  
8 segments of the gaming format associated therewith, have one or  
9 more specific website locations which are easily accessible on-  
10 line. In addition, the marketplace also comprises a merchandise  
11 collection of at least some of the various products, services and  
12 other valuable merchandise categories which may be presented to the  
13 interested customers. It is emphasized that the merchandise  
14 referred to herein and as displayed in the marketplace are  
15 representative only and are not limited to a specific category of  
16 products, services, gift certificates, awards, etc. To the  
17 contrary, any merchandise having commercial value and being desired  
18 by the consuming public may represent "preselected merchandise"  
19 which is the subject of the auction or raffle as defined in the  
20 various preferred embodiments of the present invention.

21 Accordingly, implementation of the system and method of the  
22 present invention comprises a distribution format structured to  
23 award preselected merchandise, through the aforementioned raffle or  
24 other gaming format, to one or more customers which purchase one or  
25 more bids. Further, the present invention comprises the conducting



1 of one or more auctions, raffles, etc., either independently or  
2 concurrently, wherein each raffle or auction relates to specific,  
3 preselected merchandise presented for bid. As set forth above,  
4 display, review and examination of the various merchandise, prior  
5 to or during its selection for bid, may occur by on-line access of  
6 any interested customer to the merchandise collection displayed as  
7 part of the marketplace.

8 Once the merchandise is selected for distribution, a bid pool  
9 is established comprising a pre-determined number of bids. Each  
10 bid is available for purchase and represents an opportunity,  
11 typically an equal opportunity, for award of the preselected  
12 merchandise. The equal opportunity status of each of the bids in  
13 a given bid pool is based on the fact that the winning or selected  
14 bid is chosen randomly using computer based random selection or any  
15 other appropriate means. Therefore, the random selection of the  
16 winning bid is recognized as being more characteristic of a lottery  
17 or raffle-type gaming format rather than that of an auction.  
18 However, for purposes of descriptive clarity and as detailed above,  
19 the terms raffle, lottery and auction may be used interchangeably  
20 and are not meant to be interpreted in a limiting sense.

21 One feature of various embodiments of the present invention is  
22 the structuring of the bids which define a given bid pool. As  
23 such, the number of bids in a given bid pool are predetermined as  
24 is the monetary value or cost of each bid. Moreover, the bid  
25 structuring parameters are at least partially based on the original

1 purchase price or established item price of the preselected  
2 merchandise presented for bid. As such, the plurality of bids in  
3 a given bid pool represent an equal share or percentage of the  
4 purchase price, thereby further establishing that each bid  
5 represents an equal opportunity for award of the preselected  
6 merchandise.

7 Other features associated with the bid structuring include  
8 presenting a pre-determined number of bids in each bid pool, based  
9 on the purchase price, wherein the monetary value of each bid is  
10 estimated to be acceptable to the customer. By way of example  
11 only, preselected merchandise presented for bid may have a purchase  
12 price of \$600.00. Therefore, the total number of bids defining the  
13 bid pool may be 20, wherein the monetary value of each of the 20  
14 bids is \$30.00. However, if the monetary value were raised to  
15 \$100.00 for each bid, the resulting bid pool would comprise only  
16 six bids and the customer acceptance of such a high monetary value  
17 for each bid may be lessened. In the alternative, if the monetary  
18 value were lowered to \$1.00 for each bid, the resulting bid pool  
19 would comprise 600 bids. While the customer acceptance of an  
20 extremely low-value bid may initially be desirable, the time  
21 required to sell 600 bids and the potentially large number of  
22 customers participating in a given auction or raffle may be  
23 impractical. Accordingly, an estimate is used as to the number and  
24 value of each bid, such that bid structuring is acceptable to the  
25 customer while allowing the auction or raffle to be conducted in a

1 reasonably short length of time.

2 As indicated above, another consideration in determining the  
3 structuring of the individual bids of a common bid pool would be an  
4 estimated customer acceptable time for the entire auction or  
5 lottery to be conducted. One disadvantage in known on-line auction  
6 formats is the length of time it takes to complete the auction.  
7 Therefore, a feature of the present invention is the conducting of  
8 an auction within a relatively short period of time defined by  
9 hours rather than days. Therefore, the estimated time required to  
10 sell a pre-determined number of bids is also taken into  
11 consideration. Further by way of reference to the above-noted  
12 example, it may be easier to sell 20 bids at \$30.00 each within a  
13 given time period than it would to sell 600 bids at \$1.00 each. It  
14 is also taken into consideration that the controlling entity of the  
15 marketplace desires exposure of the associated website to as many  
16 economically appropriate customers as possible.

17 A related aspect of the present invention is the requirement  
18 that all of the bids of a given bid pool must be sold such that the  
19 bid pool is completely "exhausted" before the preselected  
20 merchandise is awarded. The exhausting of the bid pool also  
21 assures the controlling entity of the on-line marketplace that each  
22 auction or raffle generates enough money to cover the purchase  
23 price of the merchandise offered for bid. As also described in  
24 greater detail hereinafter, the exhausting of the bid pool defines  
25 a restricted number of customers which have an opportunity for

1 being awarded the preselected merchandise of any one auction  
2 associated with the bid pool. However, any one customer may  
3 purchase one or more bids in order to increase the chances of  
4 winning based on a random selection of the winning bid.

5 Once a given bid pool has been exhausted, the present  
6 invention contemplates the activation of the distribution format,  
7 whereby the preselected merchandise associated with a given bid  
8 pool is awarded to one of the restricted number of customers  
9 holding a bid within that bid pool. However, unique to the  
10 distribution format of the present invention is the feature of  
11 awarding the preselected merchandise and/or an equivalent thereof  
12 to any customer having purchased a number of bids having a  
13 collective monetary value to at least equal the purchase price of  
14 the preselected merchandise. More specifically, a customer may  
15 purchase one or more bids in different bid pools in an attempt to  
16 obtain or be awarded a preselected merchandise. If that customer  
17 purchases a "winning bid" the preselected merchandise is awarded to  
18 the winning bid holder at a "reduced price". The reduced price is  
19 at least partially defined by the total monetary value of the  
20 number of bids purchased by that customer prior to be awarded the  
21 preselected merchandise.

22 However, if a customer fails to "win" the preselected  
23 merchandise in any of a plurality of successive auctions, that  
24 customer has not "lost" his entire investment. Instead, the  
25 customer is automatically awarded the preselected merchandise set

1     forth above when he has purchased a number of bids having a  
2     collective monetary value at least equal to the purchase price of  
3     the preselected merchandise. Accordingly, both the opportunity to  
4     obtain merchandise at a potentially reduced price plus the  
5     guarantee that the merchandise will be obtained at a cost no  
6     greater than the original purchase price is a distinguishing  
7     benefit and operative feature of the system and method of the  
8     present invention.

9             As set forth above, the "reduced price" is at least partially  
10    defined by the monetary value of the number of bids the customer  
11    has purchased in successive auctions until that customer obtains a  
12    winning bid. However, the system and method of the present  
13    invention further comprises a compensation application. The  
14    compensation application is structured to provide a profit or  
15    income source to the controlling entity, more specifically  
16    described as one or more operators of the marketplace responsible  
17    for the implementation of the present invention. Accordingly, the  
18    compensation application requires that the customer holding the  
19    winning bid pay an auction fee or commission fee to the controlling  
20    entity.

21            Therefore, the "reduced price" of the awarded merchandise is  
22    more completely defined as the monetary value of the total number  
23    of bids purchased by the winning customer relating to preselected  
24    merchandise in addition to the customer's payment of the auction or  
25    commission fee. The determination of the auction fee is based on

1 a predetermined percentage of the savings enjoyed by the winning  
2 customer. As described in detail hereinafter, a winning customer's  
3 "savings" comprises the monetary difference between the original  
4 purchase price of the preselected merchandise presented for auction  
5 and the monetary value of the total bids purchased by the customer  
6 in an attempt to win that preselected merchandise.

7 Accordingly, the merchandising system and method of the  
8 present invention is implemented by a gaming format by means of on-  
9 line access to a controlling entity's website. As structured and  
10 practiced the gaming format offers a participating customer the  
11 potential of obtaining preselected merchandise at a significantly  
12 reduced price. In addition, the customer is guaranteed that the  
13 monetary investment, relating to the purchasing of bids, will not  
14 be lost. More specifically, a customer continuing to participate  
15 in successive or additional auctions will be awarded the  
16 preselected merchandise at a cost no greater than the original  
17 purchase price of the preselected merchandise. Disadvantages and  
18 problems associated with conventional merchandising facilities and  
19 procedures as well as problems associated with existing or known  
20 computer-based auctions or other merchandising techniques are  
21 thereby overcome.

22 These and other objects, features and advantages of the  
23 present invention will become more clear when the drawings as well  
24 as the detailed description are taken into consideration.

1     BRIEF DESCRIPTION OF THE DRAWINGS

2             For a fuller understanding of the nature of the present  
3     invention, reference should be had to the following detailed  
4     description taken in connection with the accompanying drawings in  
5     which:

6             Figure 1 is a schematic representation in block diagram form  
7     of the implementation and operative features of the merchandising  
8     system and method of the present invention.

9             Figure 2 is a composite view of a merchandise collection  
10    including at least some of the available preselected merchandise  
11    represented as part of an on-line accessible marketplace and  
12    presented in the form of a window or displayed page of a website  
13    associated with the system and method of the present invention.

14            Figure 3 comprises an on-line accessible window or displayed  
15    page of a website representing a gaming format and other operative  
16    details of the system and method of the present invention.

17            Figure 4 comprises an on-line accessible window or displayed  
18    page of a website representing additional features of the gaming  
19    format and other operative features of the system and method of the  
20    present invention.

21            Figure 5 comprises an on-line accessible window or displayed  
22    page of a website representing additional features of the gaming  
23    format and other operative features of the system and method of the  
24    present invention.

25            Figure 6 is an on-line accessible window or displayed page

1 disclosing in part a preferred embodiment relating to a  
2 compensation application and other operative features of the system  
3 and method of the present invention.

4 Figure 7 is an on-line accessible window or displayed page of  
5 a preferred embodiment relating to a "Buy-It-Now" option of the  
6 system and method of the present invention.

7 Figures 8A, 8B and 8C are each on-line accessible windows or  
8 displayed pages of another preferred embodiment relating to a  
9 "Funds Transfer" option of the system and method of the present  
10 invention.

11 Figures 9A, 9B and 9C are each on-line, accessible windows or  
12 displayed pages of another preferred embodiment relating to a  
13 "Product Upgrade" option of the system and method of the present  
14 invention.

15 Figure 10 is a schematic representation in block diagram form  
16 of another preferred embodiment relating to an electronic gift card  
17 option of the present invention.

18 Like reference numerals refer to like parts throughout the  
19 several views of the drawings.

#### 20 21 DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

22 As represented in the accompanying Figures, the present  
23 invention is directed to a system and method of on-line  
24 merchandising of a variety of different products, services, gift  
25 cards and any other type of merchandise having commercial value and



1 appeal to the general consuming public. Practice and  
2 implementation of the present invention is conducted on-line using  
3 the Internet or other communication network by accessing a  
4 "marketplace" website. Practice of the present invention more  
5 specifically entails the implementation of a gaming format such as  
6 a raffle, lottery and/or auction-type system. Moreover, the  
7 specific terminology used to describe the gaming format of the  
8 present invention is not meant to be interpreted in a limiting  
9 sense. Accordingly, the terms raffle, lottery, and/or auction may  
10 be used interchangeably to describe the functional and operational  
11 features of the present invention, as set forth in detail  
12 hereinafter.

13 Further, the operative components and functional  
14 characteristics of the present invention, which are distinguishable  
15 from known or conventional on-line or computer-based merchandising  
16 techniques, provide a plurality of customers the opportunity to  
17 obtain preselected merchandise at a potentially reduced price. In  
18 addition, the system and method of the present invention provides  
19 the additional, highly attractive feature of guaranteeing an award  
20 of the preselected merchandise to a continuously participating  
21 customer at a cost substantially equal to the original or pre-  
22 determined purchase price (listed item price) of the preselected  
23 merchandise.

24 Accordingly, a plurality of customers establish on-line access  
25 to the marketplace available at one or more web sites maintained

1 and operated by a controlling entity. The marketplace includes a  
2 plurality of easily accessible windows or displayed pages each  
3 demonstrating in a clear and informative manner the various  
4 components of the present invention, as well as procedures and  
5 operative features relating to its practice. With reference to  
6 Figure 2, the marketplace comprises a merchandise collection  
7 generally indicated as 10 and including a composite display of the  
8 various products, services, gift certificates and/or other valuable  
9 merchandise available to be awarded or obtained through the a  
10 raffle, lottery, auction, or like gaming format. The merchandise  
11 displayed in Figure 2 is representative only of the various types  
12 of merchandise which are available to a large number of customers  
13 participating in the system and method of the present invention.  
14 The merchandise collection, as part of the marketplace of a  
15 preferred embodiment of the present invention, may also include a  
16 plurality of merchandise categories generally indicated as 12. By  
17 way of example only, the merchandise categories 12 may include  
18 computers, photo and video equipment, electronics, video games,  
19 movies, travel, toys as well as a variety of other such categories.  
20 The availability of the category display 12 in combination with the  
21 composite representation of the merchandise of Figure 2 facilitates  
22 the access by an on-line customer to specific merchandise  
23 associated with the respective categories which may be of primary  
24 interest to the customer.

25 As emphasized above, the raffle, auction or like gaming format

1 which defines certain operative features of the present invention  
2 includes the establishment of a "bid pool" 14. Each bid pool 14  
3 includes a pre-determined number of bids, each of which are  
4 available for on-line purchase. As demonstrated in Figure 3, a  
5 currently operating auction 13 comprises an active bid pool 14 as  
6 well as a schematic representation of a previous bid pool 14',  
7 wherein the auction 13' associated therewith has already been  
8 completed. Each of the plurality of bids in a given bid pool 14  
9 and 14' represents an equal opportunity to be awarded preselected  
10 merchandise 16. As further demonstrated in Figure 3, the  
11 preselected merchandise 16 represents a product, service, etc.,  
12 which is the subject of the current auction 13 as well as the  
13 previous auction 13'. As indicated above, preselected merchandise  
14 associated with any given auction 13 and its associated bid pool 14  
15 may of course vary and may be determined by customer demand and/or  
16 be under the supervision of the controlling entity of the  
17 marketplace.

18 Additional features demonstrated in the displayed window/page  
19 of Figure 3 include a display of the purchase or item price 17 as  
20 well as informative data 18 relating to the preselected merchandise  
21 16, as well as informative parameters of the current auction 13 and  
22 results of the previous auction 13'. Further with regard to the  
23 bid pools 14, 14', each comprises a pre-determined number of bids  
24 having an established monetary value. The monetary value of each  
25 bid in a given bid pool is at least partially determined by the

1 purchase price 17 of the preselected merchandise 16, displayed as  
2 the "item price" in Figure 3, and a variety of other factors. As  
3 such, each of the bids represents a "share" or percentage of the  
4 purchase price 17 of the preselected merchandise 16.

5 The structuring of the bids in terms of the number of the  
6 bids available for purchase in any given bid pool 14 is  
7 additionally determined by an estimated value. As used herein,  
8 the "estimated value" is a determination of a bid value which is  
9 believed to be acceptable to a customer in terms of attracting an  
10 optimum or acceptable number of customers to participate in each of  
11 the raffles or auctions. By way of example only and again with  
12 primary reference to Figure 3, it may be a realistic estimate to  
13 establish 20 bids in a given bid pool 14 based on the purchase  
14 price 17 of the preselected merchandise 16 being \$600.00. As such  
15 the value or customer cost of each bid, being equal, would be  
16 \$30.00. The \$30.00 value of each bid would an estimate of a  
17 purchase price that would be acceptable to a large number of  
18 customers.

19 In addition, the bid structuring of the present invention  
20 comprises the establishment of a predetermined number of bids which  
21 would best facilitate a bid pool 14 being exhausted or sold out  
22 within a relatively short and/or optimum period of time.  
23 Therefore, the determination that 20 bids define the number of bids  
24 in a given bid pool would represent an estimate, believed to be  
25 customer acceptable, of the number of bids which could be sold in

1 an acceptable time period. This would overcome the recognized  
2 disadvantages of known on-line auction systems, which typically  
3 take several days to complete.

4 Moreover, an additional operative feature of the present  
5 invention is the necessity of exhausting the bid pool, by selling  
6 all of the plurality of bids defining a specific bid pool 14,  
7 before the auction 13 can take place. This will assure that each  
8 of the auctions 13, 13', etc., generate sufficient monetary funds  
9 to at least cover the purchase or unit price 17 of the preselected  
10 merchandise 16. At the same time, each bid represents an equal  
11 opportunity for the bid holding customers to be awarded the  
12 preselected merchandise 16.

13 With further reference to Figure 3, additional information  
14 available to on-line customers includes the time and/or time  
15 remaining 21 of the current auction 13; the provision of a window  
16 or screen-shot button 22 for the purchase of one or more of the  
17 plurality of bids; the updated status 24 of the current auction 13  
18 in terms of total, pre-determined number of bids in the bid pool  
19 14; the bids remaining for purchase or "available bids"; and the  
20 cost of each bid. Similarly, information relating to the previous  
21 auction 13' may include the display of at least a partial identity  
22 of the winning customer 26; the date and time of auction  
23 termination 28; and the "reduced price" at which the winning  
24 customer 26 obtained the preselected merchandise 16, which was the  
25 subject of the auction or raffle 13'. Also, additional

1 information relating to the previous auction 13' may be provided  
2 and include that there were 20 total bids contained in the bid pool  
3 14'; the winning customer 26 purchased three bids and this three  
4 bid purchase resulted in a \$90.00 investment by the wining customer  
5 26, based on the fact that each bid was purchased for an individual  
6 monetary value of \$30.00.

7 Other components and operative features of the various  
8 preferred embodiments of the present invention are demonstrated  
9 throughout the accompanying Figures. More specifically, an  
10 "Auction Info" screen segment, generally indicated as 34, is  
11 continuously or selectively available and includes information  
12 relating to current, past and future auctions and possibly a  
13 variety of other topics. More specifically, such informative data  
14 comprises, but is not limited to, various icon-type indicators,  
15 which may be displayed as a composite and generally indicated as  
16 35. Such icon indicators provide additional auction information in  
17 terms of indicating the bids purchased by a given customer; bids  
18 purchased by an auto-bid format 36 (to be described in greater  
19 detail hereinafter); bids placed in one or more previous auctions;  
20 an indicator for the one or more winning bids in a plurality of  
21 auctions and further indicators representing the non-winning or  
22 losing bids. Also, the Auction Info segment 34 may provide an  
23 active diagram 38 of information of a given customer, as well as  
24 the participation by competing customers as a percentage of the  
25 bids still available for purchase; the percentage of bids purchased

1 by a single customer; and the percentage of bids purchased by other  
2 customers; all relating to a common bid pool 14 and/or 14'.

3 In order to keep each of the on-line customers fully informed  
4 as to the status of their individual financial account(s), as well  
5 as provide an on-going reference to their participation or position  
6 in current, past and future auctions, an "Account Details" screen  
7 segment 40 is provided on appropriate displayed widow/pages. With  
8 specific reference to Figure 3, the Account Details segment 40 may  
9 include the identity of the individual customer 41, an account  
10 balance 42, plus the selective ability to add money to one's  
11 account or to cash out or have the funds in the account balance 42  
12 returned. In addition, information relating to the successful  
13 winning of an auction 43 may be provided as well as the specific  
14 details relating to the won auction. Further, the status of the  
15 individual customer 41 relating to one or more future auctions as  
16 at 44, 45, 46, etc., is also informatively displayed. Moreover,  
17 each of the future auction window segments 44-46 may provide the  
18 customer 41 with a plurality of selections relating to the  
19 continued participation in a given auction; the ability to choose  
20 a "Buy-It-Now" option 77, as discussed with reference to Figures 1  
21 and 7; the ability to transfer the value of the purchased bids to  
22 another preselected merchandise, as discussed in Figures 8A through  
23 8C, and a current value of the one or more bids purchased by the  
24 customer 41 in each of one or more future auctions 44-46. As an  
25 added component of the Account Detail segment 40, additional

1 related information termed "Account Info", generally indicated as  
2 47, may also be provided. Such an "Account Info" segment 47 may  
3 comprise an active graph similar to that demonstrated in the window  
4 segment 34 relating to "Auction Info" but more directly associated  
5 with the account details of the specific customer 41 as described  
6 with reference to the Account Details segment 40, set forth above.

7 The operative features and components of the merchandising  
8 system and method of the present invention will be further  
9 clarified hereinafter with primary reference to Figure 1 as well as  
10 the various features of the preferred embodiments as represented in  
11 Figures 3 through 9. More specifically, operation of the system  
12 and method of the present invention, including the responsible  
13 implementation of the various embodiments by a controlling entity  
14 (not shown for purposes of clarity), may best begin with the  
15 selection of merchandise as at 50. The selected merchandise is  
16 represented in the various Figures as the preselected merchandise  
17 16, 16', 16", etc. and may vary when conducting different auctions  
18 each including a different bid pool 14. As such, the bid pool 14  
19 is created, as at 52, by determining the bid structuring 54. The  
20 bid structuring 54, under the responsibility of the controlling  
21 entity, relates to the determination of the number of bids in the  
22 bid pool 14, as at 56, as well as the monetary value 58 of each of  
23 the plurality of bids of a given bid pool 14.

24 As previously indicated, the number of bids and the monetary  
25 value thereof are based on plurality of factors including an



1 established purchase price or item price 17 of the preselected  
2 merchandise 16. The number of bids 56, in any given bid pool, will  
3 be based on a customer-acceptable estimated value 58 as well as an  
4 estimated time period for conducting the raffle or auction before  
5 awarding the preselected merchandise 16. Further, the plurality of  
6 bids each represent a "share" of the purchase price of the  
7 preselected merchandise 16, and therefore each of the plurality of  
8 bids of a given bid pool 14 will have the same monetary value 58.

9       Once the bid pool 14 has been created, through proper  
10 structuring of the plurality of bids 54, they are offered for on-  
11 line purchase, as at 60. With additional reference to Figures 4  
12 and 5, the purchase 62 of the bids can be accomplished by any  
13 customer visiting the website of the marketplace and preferably,  
14 but not necessarily, establishing a financial account. As set  
15 forth above, the status of a customer's individual financial  
16 account will be currently updated, depending upon the customer's  
17 activity and indicated in the Account Details segment 40 which is  
18 displayed on appropriate windows represented throughout the various  
19 Figures. The establishing of a financial account facilitates the  
20 purchase of one or more bids either individually or "manually", as  
21 at 63 (see Figure 4), or through an "Auto-Bid Format" 64 (see  
22 Figure 5). More specifically, an individual bid may be placed by  
23 activating the "Bid Now" screen displayed button 22, wherein  
24 current information is instantaneously displayed to the customer at  
25 least in terms of bid quantity.

1           Alternatively, at least one preferred embodiment of the  
2 present invention comprises the auto-bid format 64 schematically  
3 represented in Figure 1 and informatively described in the Auction  
4 Info segment 34 of Figure 5. As such, the auto-bid format 64  
5 provides for a customer establishing the above noted financial  
6 account and authorizing the automatic, continued purchase of at  
7 least one bid in a plurality and/or successive auctions for the  
8 same or equivalent preselected merchandise 16. As indicated, the  
9 auto bid format 64 can be cancelled at any time, but will normally  
10 continue until customer purchases a winning bid. However, it is  
11 recognized that the customer may never purchase a winning bid. If  
12 this occurs, the customer will still not lose his investment, as  
13 described in greater detail hereinafter. The purchase of bids 62 by  
14 any of a plurality of customers, through on-line access, can be  
15 accomplished by a customer individually, as at 63, or  
16 automatically, as at 64, once the customer has determined in which,  
17 if any, of the auctions he/she wishes to participate. Moreover, a  
18 customer may purchase one or more bids from a given bid pool 14 and  
19 if not awarded the preselected merchandise 16 may choose not to  
20 participate in the next auction or any other successive auction.

21           Regardless of the procedure used to purchase 62 the one or  
22 more bids in a given bid pool 14, the auction will begin only when  
23 the bid pool has been exhausted, as at 66. As indicated above, the  
24 exhaustion of the bid pool is defined as the selling of all of the  
25 predetermined number of bids in any given bid pool 14. This assures

1 that the total value of any exhausted bid pool is at least equal to  
2 the purchase price 17 of the preselected merchandise 16. The  
3 controlling entity of the marketplace will thereby be provided  
4 sufficient income dollars to cover the purchase price 17 of the  
5 preselected merchandise 16. Once the bid pool 14 has been  
6 exhausted, as at 66, the award of the preselected merchandise 16  
7 will commence through activation of the distribution format 67.

8 Therefore, one distinguishing feature of the system and method  
9 of the present invention is the structuring of the distribution  
10 format 67 in a manner which provides for the awarding of the  
11 preselected merchandise 16 at a "reduced price" to a customer  
12 holding a winning bid, as at 68. In addition, the preselected  
13 merchandise 16 is also guaranteed to be awarded to any "losing"  
14 customer 69 which has already purchased a sufficient number of  
15 bids, wherein the total monetary value of all the bids purchased is  
16 at least equal to the purchase price or unit price 17, as at 53.  
17 Therefore, the structuring of the distribution format 67 provides  
18 an opportunity to obtain merchandise at a significantly reduced  
19 price, by obtaining the winning bid through the purchase of only a  
20 small number of bids, as at 68, and the guarantee that the  
21 merchandise will be awarded at a cost no greater than the purchase  
22 price 17, as at 69.

23 As further indicated in Figure 1, the situation will  
24 frequently occur where many or even most of the losing customers 72  
25 participating in a given bid pool 14, will have purchased one or

1 more bids which have a total monetary value less than the purchase  
2 price 17, as at 75. In such situations, each of the losing  
3 customers 72 having purchased an insufficient number of bids 75,  
4 may or may not continue participation in successive bid pools 14.  
5 However, in order to guarantee a customer the award of the  
6 merchandise 16, at a price no greater than its purchase price 17,  
7 at least one preferred embodiment of the present invention  
8 necessitates continued participation of that customer in successive  
9 bid pools.

10 Such continued participation comprises the purchase of bids  
11 from bid pools 14 of other, successive auctions 13 for the same  
12 preselected merchandise 16, until the monetary value of the total  
13 number of bids purchased by a customer is at least and/or  
14 substantially equal to the purchase price 17 of that preselected  
15 merchandise 16. Once an equivalent monetary value has been  
16 reached, the continuously losing customer is awarded the  
17 merchandise 16 at the full purchase price, which is substantially  
18 equal to the total monetary value of all the bids that customer has  
19 purchased at successive raffles or auctions. As with the purchase  
20 of bids from any bid pool 14, the losing customer may participate  
21 in the auto-purchase application 64 or may otherwise purchase bids  
22 individually as at 63.

23 With further reference to Figure 1, a losing customer 72 has  
24 yet another alternative comprising a "Buy-It-Now" option 77, which  
25 is represented in greater detail in Figure 7. More specifically,

1 situations may arise where a losing customer 72 is desirous of  
2 obtaining the preselected merchandise 16, 16', etc., immediately  
3 without participating in successive auctions and/or bid pools. In  
4 this situation, the losing customer 72 relinquishes the possibility  
5 of purchasing a winning bid 68. But, for any of a variety of  
6 reasons, the customer may wish to take possession of the  
7 preselected merchandise 16, 16' as soon as possible.

8       Accordingly, the losing customer 72, in accord with the "Buy-  
9 It-Now" option 77, will have the balance, represented as 78 in both  
10 Figures 1 and 7, charged to his/her account, which is maintained  
11 with the controlling entity. The balance 78 in the example  
12 presented in Figure 7 equals \$285 which is the difference between  
13 the money spent on bids in one or more auctions (\$15) and the  
14 purchase or item price 17' of the preselected merchandise 16'  
15 (\$300). The charging of the balance 78 for the preselected  
16 merchandise 16' is, as set forth above, deducted or debited from  
17 the account maintained by the specific losing customer 72 as  
18 represented in Figure 7 as 79. The various Account Details 40 are  
19 also concurrently displayed to inform any given customer his/her  
20 immediate financial condition in any of a plurality of auctions,  
21 such as but not limited to the specific auction as at 82 relating  
22 to the preselected merchandise 16'. In providing a customer with  
23 an accurate account of his/her activities and financial situation  
24 including, but not limited to, his/her account balance 83, all of  
25 the activities concerning past, current and future auctions are

1 also represented in Figure 7.

2 As also schematically represented in Figures 1 and 6, other  
3 features of preferred embodiments of the present invention include  
4 the provision of a compensation application which may represent a  
5 primary or at least significant profit source for the controlling  
6 entity of the marketplace website. The compensation application is  
7 structured to include the payment of an auction fee or commission  
8 fee 74 to the controlling entity by each customer holding the  
9 winning bid 68. As such, the aforementioned "reduced fee",  
10 generally indicated as 76, at which any customer has the  
11 opportunity to obtain the preselected merchandise 16, 16', etc, is  
12 defined as the monetary value 86 of the total number of bids which  
13 the customer needed to purchase to obtain a winning bid. Also, the  
14 reduced price 76 includes the additional factor of the winning  
15 customer 68 paying the commission or auction fee 74.

16 Again, with primary reference to Figure 6, the auction fee 74  
17 comprises a predetermined percentage of the "savings" 84 enjoyed by  
18 the winning customer 68. In turn, the savings 84 is defined as the  
19 difference in the purchase price 17 of the preselected merchandise  
20 16 and the monetary value 86 of the total number of bids purchased  
21 by the winning customer until the winning bid was obtained and the  
22 preselected merchandise 16 was awarded. As such, it should be  
23 apparent that the auction fee 74 is inversely proportional to the  
24 monetary value 86 of the total number of bids purchased for the  
25 preselected merchandise by the winning customer. In other words,

1 the more the customer spends on purchasing bids 86, the less that  
2 customer will realize in savings 84. Therefore, the smaller the  
3 savings 84 the smaller the commission fee 74 paid by the winning  
4 customer 68. Also, it should be apparent that when a customer is  
5 awarded the preselected merchandise at full price, as at 69, due to  
6 the purchase of a sufficient number of non-winning bids, that  
7 customer's "savings" is zero since the merchandise will be obtained  
8 by the losing customer at a cost substantially equal to the  
9 original purchase price or item price 17.

10 Yet additional features which may be attractive to both the  
11 controlling entity of the marketplace and/or the plurality of  
12 customers, include the existence and transfer of original  
13 warranties on the products as supplied by the original supplier or  
14 manufacturer. Further, in a preferred embodiment the preselected  
15 merchandise 16, 16', etc, whether awarded at the full purchase  
16 price, as at 68; obtained by the "Buy It Now" option 77; or awarded  
17 to the winning bid holder, as at 69, is preferably shipped or  
18 otherwise delivered, as at 70, directly from the manufacturer or  
19 supplier. Therefore, if the customer has an issue relating to  
20 delivery and/or condition of the product, it is dealt with directly  
21 by the supplier or manufacturer. Also, no costs or inconvenience  
22 associated with maintaining an inventory of merchandise need be  
23 suffered by the controlling entity.

24 Other features demonstrated in at least some of the preferred  
25 embodiments of the present invention are intended to assure

1 customer satisfaction. More specifically, situations may arise  
2 where the preselected merchandise 16, 16', etc., intended to be  
3 presented for bid, may not be available. In such circumstances,  
4 the merchandise will be upgraded and changed to substantially  
5 equivalent merchandise. If such an event occurs, the bids  
6 purchased from a given bid pool will be automatically applied to  
7 the upgraded or other equivalent merchandise.

8 Yet another preferred embodiment of the present invention is  
9 schematically represented in Figures 8A - 8C and comprises an  
10 option which allows any customer to transfer the value of his  
11 purchased bids on a specific preselected merchandise 16 to an  
12 equivalent value of bids for a different preselected merchandise  
13 16'. This "Funds Transfer" option is generally indicated and  
14 described by sequential screen segments 90, 90' and 90"  
15 respectively presented in Figures 8A - 8C. With reference to the  
16 example presented in these Figures, a customer has purchased a  
17 number of bids attempting to obtain preselected merchandise 16,  
18 such as a digital camera. Thereafter the same customer wishes to  
19 obtain other preselected merchandise, such as a DVD player 16'.  
20 When taking advantage of this option of the present invention, the  
21 value of the previously purchased bids, as at 91, can be  
22 transferred to or credited against the purchase of the other  
23 merchandise 16' such as the DVD player. In such situations, a  
24 funds' transfer fee, as at 92, may be charged to the customer. As  
25 represented, the result would be a zero balance applied to the



1 digital camera 16 and an increased monetary value transferred or  
2 applied towards the DVD player 16' as demonstrated in Figure 8C.

3 The versatility and customer appeal of the on-line  
4 merchandising system and method of the present invention is further  
5 demonstrated in yet another preferred embodiment, represented and  
6 described in Figures 9A - 9C. More specifically, each customer  
7 specifically including, but not limited to, the winning customer  
8 68, has the option of a "product upgrade" as generally represented  
9 in the window segment 94. As indicated above, the marketplace and  
10 associated auction website presents numerous categories of  
11 merchandise for auction. Within each category, such as an  
12 electronics category 12', a plurality of products may be  
13 represented. Those products may include a variety of different  
14 desktop computers ranging in style, performance capabilities, etc.,  
15 resulting in different prices. The window segment 94 therefore  
16 demonstrates a plurality of the different styles of desktop  
17 computer products and is generally represented as 96. Accordingly,  
18 a winning customer 68 of a preselected merchandise 16, comprising  
19 one type of desktop computer (# 032), will be presented with the  
20 product upgrade option 94. As part of this product upgrade option  
21 94, the plurality of different styles, types, etc., of computers 96  
22 may be accessed and visually displayed as represented in Figure 9B.  
23 Again, assuming that the customer 68 was a winning bid holder and  
24 decided to choose an upgrade to a different desktop computer, as at  
25 16" in Figure 9C, he/she would be allowed to do so and be

1 subsequently presented with the financial data or criteria for  
2 obtaining the upgraded merchandise 16". At the same time, the  
3 winning customer 68 would be able to enjoy the benefit of holding  
4 a winning bid which enabled the customer 68 to obtain or be awarded  
5 the original merchandise 16 at a greatly reduced price. As set  
6 forth above, the reduced price would be at least partially  
7 determined by the savings 99, defined by the difference between the  
8 purchase price 100 and the total monetary value of the bids  
9 purchased in an attempt to win the original preselected merchandise  
10 16, as at 101. As also set forth above, an auction fee or  
11 commission fee 74 would be added to the reduced price, based on the  
12 amount of savings 99. The upgrade fee 102 would be the difference  
13 between the purchase price of the original merchandise 16 and the  
14 purchase price of the upgraded merchandise 16". Additional  
15 administrative charges such as shipping charges may be added to  
16 determine the total amount due 104 from the winning customer 68  
17 which need be paid to obtain the upgraded merchandise 16". It  
18 should be further noted that any customer, whether being designated  
19 as a winning customer or losing customer, can participate in the  
20 product upgrade option 94, 97 as described. In the case of a  
21 losing customer, the total monetary value of all the bids purchased  
22 by the losing customer would be applied against the purchase or  
23 unit price 100 of the upgraded merchandise 16" even though the  
24 losing customer purchased bids on the original preselected  
25 merchandise 16.

1           As set forth above, one of the many features of the present  
2 invention comprises the ability to auction or raffle a plurality of  
3 different categories and types of merchandise, wherein the  
4 merchandise is not limited to a product or service. Accordingly,  
5 with primary reference to Figure 10, one preferred embodiment of  
6 the present invention comprises the preselected merchandise being  
7 defined by a gift card or certificate more appropriately termed an  
8 "Electronic Gift Card" indicated as 110. For purposes of clarity,  
9 the term "Electronic Gift Card" is not meant to be interpreted in  
10 a limiting sense. As such, a variety of different terms, logos,  
11 trade names, etc., may be used herein and in a practical commercial  
12 application to identify the Electronic Gift Card or its equivalent.  
13 Such additional terms may include "eMoney", "eCard" and/or a  
14 plurality of other terms generally representative of the electronic  
15 or computerized transactional nature of this merchandise. In  
16 addition, the Electronic Gift Card is structured and functionally  
17 designed to be utilized in a plurality of different types of  
18 commercial transactions.

19           Again with reference to Figure 10, one option for commercially  
20 transacting the Electronic Gift Card comprises the winning customer  
21 or bid holder exchanging the Electronic Gift Card for a gift  
22 certificate or gift card of one of a plurality of specific vendors  
23 112. Thereafter, the specific vendor gift card 112 is delivered to  
24 an intended recipient, as at 114, for which the winning customer  
25 intended a gift. The recipient thereafter has the option of

1 choosing a variety of different merchandise of the specific vendor.  
2 Moreover, the merchandise can be selected and/or purchased on line  
3 as at 116 or by visiting one or more of the vendor's physical  
4 locations in order to accomplish a walk-in purchase, as at 118.  
5 Regardless of whether the purchase of the merchandise is an on-line  
6 transaction 116 or a walk-in transaction 118, the merchandise is  
7 then obtained by the recipient as at 120. Obtaining the  
8 merchandise by the recipient may comprise delivery by any  
9 conventional or other appropriate means, especially when the  
10 merchandise is purchased on-line 116. Alternatively, when  
11 purchasing merchandise by a walk-in transaction 118, the recipient  
12 may take possession of the merchandise in the conventional fashion  
13 at the vendor's physical establishment or have it delivered by  
14 conventional or appropriate means.

15 Yet another option associated with the commercial transaction  
16 of the electronic gift card comprises the winning customer or bid  
17 holder exchanging the electronic gift card for a gift certificate  
18 or gift card of a specific vendor, as at 122. The customer, then  
19 being in possession of the specific vendor's gift certificate, will  
20 select and purchase merchandise as at 124 from the vendor. The  
21 selection and purchase of the merchandise can preferably be  
22 conducted on line in order to eliminate the inconvenience of  
23 visiting a physical outlet or location of the specific vendor.  
24 However, it is emphasized that the electronic gift card is  
25 structured and operative to allow the winning customer to visit any

1 of one or more of the vendor's physical facilities or outlets.  
2 Obtaining of the merchandise, as at 126, represents such  
3 merchandise being delivered to the recipient either directly by the  
4 winning customer or by other conventional or appropriate means.

5 The commercial versatility of the electronic gift card is  
6 further demonstrated in yet another option, wherein the electronic  
7 gift card itself is delivered to the recipient. Such delivery can  
8 be arranged by the winning customer and can be conducted on line.  
9 Alternatively, the winning customer can obtain some type of hard  
10 copy evidence representing of the electronic gift card and send or  
11 otherwise deliver the hard copy representation to the recipient as  
12 at 128.

13 In practicing this particular option, the electronic gift card  
14 or the hard-copy representation will not necessarily be limited to  
15 a specific vendor as in the previous options 112 and 122. To the  
16 contrary, the electronic gift card can be a universal or "No Name"  
17 card or certificate. As such, the recipient, once in the  
18 possession of the electronic gift card and/or its hard-copy  
19 representation, can visit any of a plurality of vendors 130 which  
20 have been integrated into the merchandising system and method of  
21 the present invention to the extent of the vendor accepting the  
22 electronic gift card and exchanging it for desired merchandise. As  
23 with the previously described options relating to the commercial  
24 transaction of the electronic gift card 110, a prearrangement will  
25 be made with a plurality of vendors wherein the number and

1 popularity of the vendors will be such as to provide the recipient  
2 and/or the winning customer with a wide choice of merchandise from  
3 which to select and purchase. As with the previous options, the  
4 merchandise is obtained by the recipient by direct physical  
5 possession and/or conventional or appropriate delivery means.  
6 Further, once the recipient receives the "No Name" electronic gift  
7 card, an appropriate commercial transaction with any of the  
8 plurality of vendors 130 can be conducted either on line or by  
9 means of a walk-in transaction, as described above.

10 Since many modifications, variations and changes in detail can  
11 be made to the described preferred embodiment of the invention, it  
12 is intended that all matters in the foregoing description and shown  
13 in the accompanying drawings be interpreted as illustrative and not  
14 in a limiting sense. Thus, the scope of the invention should be  
15 determined by the appended claims and their legal equivalents.

16 Now that the invention has been described,